

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /109 W
-----012351Z 003306 /11

R 010904Z APR 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 6610
INFO AMEMBASSY PARIS
AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 4674

E.O. 11652: GDS
TAGS: ELON, ENRG, ETRD, UR, JA
SUBJECT: YAKUTSK LNG PROJECT, TRILATERAL MEETING IN PARIS

REF: (A) STATE 56959; (B) MOSCOW 3506; (C) TOKYO 4216

1. SUMMARY. FOREIGN OFFICE OFFICIAL HAS CONFIRMED GENERAL ACCURACY OF PRESS REPORTS APPEARING IN TOKYO WHICH INDICATE THAT THE TRILATERAL MEETING IN PARIS PRODUCED AGREEMENT BY THE SOVIETS TO AN ON-SITE INSPECTION OF THE YAKUTSK FIELDS, WHICH THE SOVIETS ESTIMATED CONTAIN 700 BILLION CUBIC METERS OF GAS. THE THREE SIDES WILL MEET IN SAN FRANCISCO IN AUGUST TO DISCUSS DETAILS OF THE ON-SITE INSPECTION. END SUMMARY.

2. BEGIN UNCLASSIFIED. THE FOLLOWING ARE THE MAIN POINTS MADE IN A MARCH 25 NIHON KEIZAI ARTICLE REPORTING ON THE U.S.-JAPAN-USSR MEETINGS IN PARIS CONCERNING THE YAKUTSK GAS PROJECT:

AT THE MEETING, WHICH WAS HELD IN PARIS FROM MARCH 21-24, SOVIET VICE MINISTER OF GEOLOGY IGURSKY REPORTED A
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RECOVERABLE RESERVE OF 700 BILLION CUBIC METERS AT YAKUTSK:
IGURSKY SAID THAT RESERVES TOTALLING ONE TRILLION CUBIC METERS WOULD BE CONFIRMED BY THE END OF 1978 OR EARLY 1979:

THE SOVIETS SAID THEY FELT THAT THIS REPORT HAS PAVED

THE WAY FOR GAS FIELD DRILLING, AND THE CONSTRUCTION OF A 4,350 METER PIPELINE TO OLIGA, AN ICE-FREE PORT ON THE PACIFIC OCEAN NORTH OF NAHODKA (OPPOSITE HOKKAIDO ON THE JAPAN SEA);

THE JAPANESE AND U.S. REPRESENTATIVES RESPONDED THAT THEY WANT TO CONDUCT AN ON-SITE INSPECTION TO CONFIRM THE RESERVE ESTIMATES. IF THEY ARE CONFIRMED, JAPANESE AND U.S. FINANCING WOULD BE DISCUSSED LATER;

TOKYO GAS PRESIDENT, ANZAI, CHIEF JAPANESE DELEGATE, TOLD A PRESS CONFERENCE ON MARCH 24 THAT THE NEXT TRILATERAL MEETING WOULD BE HELD IN AUGUST TO DISCUSS FURTHER DETAILS ON THE PROJECT;

NIHON KEIZAI CONCLUDED BY SAYING: "THE NEXT MEETING WILL BE HELD IN SAN FRANCISCO, IN AUGUST OF THIS YEAR, POSSIBLY TO DISCUSS OVERALL FINANCING FOR THE DEVELOPMENT STAGE. THERE ARE SOME UNKNOWN FACTORS INVOLVED IN THE FORTHCOMING NEGOTIATIONS, SUCH AS PRESIDENT CARTER'S POLICY TOWARD THE SOVIET UNION, OR CHANGING WORLD SCENE." (END UNCLASSIFIED)

3. BEGIN CONFIDENTIAL. OHTA, 1ST EUROPEAN DIVISION, FOREIGN OFFICE, GENERALLY CONFIRMED THE ACCURACY OF THIS AND SIMILAR PRESS REPORTS ON THE PARIS MEETING. HE ADDED THE FOLLOWING:

-IN ADDITION TO BOYD OF THE AMERICAN SIBERIAN GAS COMPANY
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AND HAMMER OF OCCIDENTAL, A REPRESENTATIVE OF THE BANK OF AMERICA (THE LARGEST U.S. FUNDING SOURCE) WAS ALSO PRESENT. OSHIPOV AND IGURSKY WERE THE SOVIET DELEGATES WITH ANZAI SPEAKING FOR JAPAN;

-THE SOVIETS ASKED THAT THE SUPPLY OF EQUIPMENT BE EXPEDITED, NOW THAT 700 BILLION CUBIC METERS HAD BEEN CONFIRMED. OHTA NOTED THAT ONLY 60-70 PERCENT OF THE JAPANESE LOAN HAD BEEN SPENT, WHILE THE U.S. SHARE WAS ALMOST ENTIRELY GONE;

- THE JAPANESE AND U.S. DELEGATES INSISTED ON THE NEED FOR AN ON-SITE INSPECTION TO CONFIRM SOVIET ESTIMATES, TO WHICH THE SOVIETS AGREED, BUT ASKED THAT THE INSPECTION TEAM NOT COME BEFORE JANUARY 1978. OHTA SAID THAT THE MEETING IN SAN FRANCISCO IN AUGUST WOULD BE PRIMARILY TO DISCUSS THE DETAILS OF THE TEAM'S VISIT;

-THE SOVIETS CLAIMED THAT THEIR ESTIMATES JUSTIFIED MAKING

SOME MENTION OF THE DEVELOPMENT PHASE IN THE REPORT OF THE PARIS MEETING, BUT NEITHER THE JAPANESE NOR THE U.S. DELEGATES WERE PREPARED TO DO SO. THE U.S. IN PARTICULAR STATED THAT IT COULD NOT COMMENT ON THE DEVELOPMENT PHASE.

4. OHTA MADE THE FOLLOWING BACKGROUND COMMENTS ON THE YAKUTSK PROJECT:

-THE DEVELOPMENT PHASE WOULD NOT BEGIN (ASSUMING THE REQUIRED RESERVES ARE CONFIRMED) FOR ANOTHER TWO YEARS;

-THE ONE TRILLION METER MINIMUM RESERVE REQUIREMENT IS PROBABLY NOT ABSOLUTE, SINCE IT IS BASED ON A ROUGH CALCULATION OF DOUBLE THE AMOUNT WHICH WOULD BE SHIPPED TO JAPAN AND THE U.S. OVER 25 YEARS (10 BILLION CUBIC METERS TO EACH ANNUALLY) TO ALLOW FOR SOVIET DOMESTIC DEMAND;

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-THE SUMS INVOLVED WOULD BE ENORMOUS. THE PIPELINE ALONE, WHICH WOULD BE 56 INCHES IN DIAMETER, WAS ESTIMATED AT SOME DOLS 300 MILLION TWO YEARS AGO. IT MAY BE DOUBLE THAT NOW. THEN THERE ARE THE LIQUEFACTION FACILITIES AND SHIPS TO SAY NOTHING OF TREMENDOUS LOGISTICS PROBLEMS IN OPERATING IN YAKUTSK. JAPAN CANNOT AFFORD TO UNDERWRITE THE COST BY ITSELF, AND PROBABLY U.S. EXIMBANK FINANCING WOULD BE NEEDED FOR THE U.S. SHARE;

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OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 FEA-01
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R 010904Z APR 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6611
INFO AMEMBASSY PARIS
AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 4674

-THE PRICE OF THE GAS WOULD BE AT WORLD PRICES;
THE SOVIETS ARE ANXIOUS TO GET THE PROJECT STARTED. THEIR
CURRENT 5-YEAR PLAN IS IN TROUBLE, WITH PROSPECTS FOR
ONLY A 5-6 PERCENT GROWTH RATED INSTEAD OF THE HOPED-FOR
8 PERCENT.

5. PERHAPS REFLECTING THE DIFFICULTIES OF THE JAPAN
TALKS (HIS OFFICE IS THE FOREIGN OFFICE WORKING LEVEL
RESPONSIBLE FOR THE NEGOTIATIONS), OHTA SEEMED PESSIMISTIC
ABOUT DEALING WITH THE SOVIETS. HE SAID HE IS CONSTANTLY
WARNING BUSINESS GROUPS WHO ENGAGE IN SUCH NEGOTIATIONS
THAT THEY MUST BE PATIENT, AND LET THE SOVIETS MAKE
PROPOSALS WHICH THE JAPANESE COULD EXAMINE. HE COMPLAINED
THAT IN THE USUAL SCENARIO THE SOVIETS WILL APPEAR TO BE
COOPERATIVE, BY INDICATING THAT "THEY ARE PREPARED TO
MOVE FORWARD", "WISH TO COOPERATE IN DEVELOPING PROJECTS"
ETC. AND THEN SIT BACK TO AWAIT PRESENTATIONS BY THE
JAPANESE, WHICH THEY PROCEED TO PICK APART, WITHOUT OFFERING
ANY SPECIFIC PROPOSALS OF THEIR OWN. OHTA SAID THE SOVIETS
SEEM TO THINK IN TERMS OF 10, 20, OR 30 YEARS, WHILE THE
JAPANESE BUSINESSMEN WANT TO CONCLUDE AGREEMENTS QUICKLY.
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6. COMMENT: WE LEAVE TO THE DEPARTMENT AND EMBASSY
MOSCOW TO JUDGE THE VALIDITY OF OHTA'S COMMENTS, BUT THEY
APPEAR RELEVANT TO THE TALKS PLANNED FOR SAN FRANCISCO
IN AUGUST ON THE DETAILS OF THE ON-SITE INSPECTION TEAM.
OHTA SAID THESE TALKS WOULD BE "INTERESTING" SINCE THE
SOVIETS HAVE ALWAYS BEEN RELUCTANT TO LET OUTSIDERS SPEND
ANY TIME INSPECTING THEIR TERRITORY. SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXT, PRESS COMMENTS, LPG
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TOKYO04674
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770113-0842
Format: TEL
From: TOKYO
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770496/aaaadgce.tel
Line Count: 211
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ff8e8bab-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 56959, 77 MOSCOW 3506, 77 TOKYO 4216
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2922375
Secure: OPEN
Status: NATIVE
Subject: YAKUTSK LNG PROJECT, TRILATERAL MEETING IN PARIS
TAGS: ECON, ENRG, ETRD, UR, JA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/ff8e8bab-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009